

**TESTIMONY OF PINNACLE RACE COURSE DIRECTOR MICHAEL E.  
MCINERNEY TO HOUSE AGRICULTURE HEARING ON THE  
FUTURE OF HORSE RACING IN MICHIGAN  
MAY 19, 2010**

Thank you Chairman Huckelberry and Committee Members for giving me the opportunity to testify today about the future of horse racing here in Michigan. My name is Michael McInerney and I am a member of the Board of Directors of Pinnacle Race Course, a Thoroughbred Racetrack (the only thoroughbred track in Michigan) located in Huron Township just south of Detroit Metropolitan Airport. I am here today on behalf of Pinnacle Chairman Jerry Campbell and the other partners of Pinnacle who have collectively invested over \$30 million developing our world class racetrack facility, as well as the 1500 employees and associates who work very hard to ensure a first rate entertainment experience for the guests at Pinnacle and many others who are involved in the horse racing industry in Michigan.

First, please allow me to commend Chairman Huckelberry and Members of the Committee for calling this meeting to focus on what the legislature can do to help save the horse racing industry in Michigan and with it over 25,000 current jobs and \$12-15 million dollars of current racing tax revenue.

Second, my testimony will be brief and will focus on what you as legislators can do to modernize and reinvigorate this once thriving industry so that we can save and create more jobs, investment and tax revenues in Michigan.

As you know, the horse racing industry has been in decline in Michigan for many years. The handle at the racetracks and the taxes paid to the State on that handle have declined over 40% just since 2000. Notwithstanding that the tax revenue from the racetracks is sufficient to fund State regulation of the racetracks, the budget crisis in Michigan has led to diversion of the majority of that revenue away from horse racing in 2009-2010, forcing the racetracks to reduce racing schedules and to self-fund State regulatory functions in order to operate.

Instant Horse Racing is a form of paramutuel wagering on previously run horse races operated on machines that function in a manner similar to the

self-operated paramutuel machines currently in use at all racetracks in Michigan. As a form of paramutuel racing, IHR involves handicapping of the horse races (and thus is a game of skill, not chance) and wagering pools, and the racetrack has no stake in the outcome of the races, so IHR is therefore clearly distinguishable from slot machines and other casino gaming.

IHR has been operated at Oaklawn Park in Arkansas since 2003. A financial model has been prepared for IHR in Michigan, based on the Oaklawn experience. The model indicates that the five Michigan racetracks would generate on an annual basis \$1.8 billion of IHR handle and \$65 million of State racing tax revenue.

Legal analysis has concluded that IHR is permitted under the Michigan Horse Racing Act of 1995. Legislative action is required only to confirm prior legislative intent to permit technological developments applicable to paramutuel wagering in the horse racing industry such as IHR.

IHR represents the key to survival of the horse racing industry in Michigan, which encompasses 25,000-45,000 existing and prospective jobs, \$25-50 million of existing and prospective income tax revenue, and \$15-80 million of existing and prospective racing tax revenue.

I have presented to the Committee an article entitled “The Oaklawn Success Story”, which highlights how the State of Arkansas and Oaklawn Park in Hot Springs have partnered to implement IHR. The results have been overwhelming: increased purses, handle, attendance, employment and investment at the racetrack has meant millions of new tax revenues to the State. We can do the same here in Michigan if we can provide leadership on this critical issue.

Let me conclude my remarks with a very specific recommendation:  
THAT YOU INTRODUCE AND PASS LEGISLATION THIS YEAR TO  
MODERNIZE THE HORSE RACING ACT AND CLARIFY THAT  
INSTANT HORSE RACING IS PERMITTED UNDER THE ACT AND  
SHOULD BE IMPLEMENTED.